

# **NEW HAMPSHIRE STATE LIQUOR COMMISSION**

## **MINUTES OF MEETING – JUNE 11, 2003**

**PRESENT:** Chairman Anthony Maiola and Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Peter Engel, Director of Store Operations; Howard Roundy, Director of Information Technology; Richard Gerrish, Spirits Marketing Specialist; Nicole Horton, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer; Al Picconi, United Beverages, Inc.; Michael Goclawski, Law Warehouse.

### **I. FINANCIAL & ADMINISTRATIVE REPORTS**

#### **1. Financial Reports**

##### **A. Weekly, Y-T-D Sales Reports:**

The SA1000 report for the week ending June 8, 2003 shows retail sales were up almost 11.75%, on-premise sales were up around 6.67%, off-premise sales were up 8%, and total aggregate sales were up 10.24%. The traffic count was up by 4,194, while the average sales ticket increased by \$1.94.

The W-1 Total Weekly Sales report for the same week indicates total sales were up 10.24% or \$635,889, and were also up for the year by 5.64% or \$17,301,149. Wine sales increased 13.42% or \$368,368 for the week, while they also increased by 9% or \$12,434,712 for the year. Sales of spirits were up 7.72% or \$267,521, and were also up year-to-date by 2.89% or \$4,871,074.

##### **B. Budget Reports**

In reviewing the latest outstanding depletions and post-offs report, Craig pointed out that a payment problem in excess of 90 days continues with one broker in particular. He will retrieve the Commission's policy regarding late payments and bring this back to the Commission next week for review.

The new gift card program will be tracked on a weekly and monthly basis. There was an ad in the Union Leader suggesting the use of gift cards for Father's Day, and Craig suggested publishing some kind of notice that liquor gift cards are now available.

The four Commission items on the last Governor and Council agenda passed without questions.

An actual demonstration was conducted last week of the proposed program for Enforcement licensing software, which targeted specific scenarios to walk through the process of licensing. DITM will be asked to pursue an updated quote. There may be maintenance issues because the program would be used by more than one agency, in which case maintenance costs would have to be split among the users. Craig felt the company seemed to be very capable of producing an excellent product for the state,

and he was very impressed. Although monies for this project are in the FY05 budget, DITM has a fund which would enable the Commission to access money up front. It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission proceed with funding and installation of this program. The motion was unanimously adopted.

A review of the current W-6 Expense Budget Activity Variance Report as of 6/10/03 shows the year to be at about 94.52% complete, with 90.79% of the budget expended. Expenditures are up about \$609,000 over last year due to salaries and benefits. Current expenses, however, are down. Figures for the new software accounting package and gift card program are included in this report. A watch is being kept on in-state travel and utilities expenses. Commissioner Russell said she would like to see as many employees as possible drive state cars for business. She suggested there may be a car(s) available over at Enforcement which could be used by employees driving throughout the state. George will look into this. Commissioner Byrne asked how much of the \$114,000 in traveling expenses is store related versus office related function.

The accounting package has now gone live, and most feedback on the operations has been positive. This will permit the elimination of large financial paper reports, which will now be maintained in files.

A cover letter will be prepared for the OGB advertising contract, which will be on the Governor and Council agenda of June 25, and is scheduled to go into effect on July 1.

Work is being done on the Byrne, underage drinking and tobacco grants. These require no paperwork for either Fiscal Committee or Governor and Council.

Accounting is also working on several forfeiture letters to prevent monies from lapsing at the end of the fiscal year.

For some reason, Administrative Services is holding the monies appropriated for ballistic vests. A message has been forwarded to Tim Brackett at the Department of Justice in an attempt to work this out.

The Senate has increased revenue estimates for next year by about \$2 million.

2. IT Report

Howard said he has received no comments to date on the SITP report.

Masterpiece revisions are now pretty much done, with just some minor interface problems to be worked out.

IT is pursuing with Dell additional equipment for the disaster recovery site.

The much-improved attendance and leave system for Payroll should be installed right after the close of the present fiscal year. All leave requests will be kept in that office, including compensatory time.

Some difficulty occurred mid-afternoon yesterday with the credit card system, which necessitated re-starting to clear up the problem. Next week the stores will be moved off the reader to the new box, which will help to resolve conflicts.

Mike Goclowski mentioned that he walked an employee from Shaws Supermarket in Portsmouth through the new ordering system at Law. He briefly explained how the system works and how licensees receive e-mail confirmation in just a few seconds. An unfilled order history was also created. Users would have individual accounts. There was some discussion as to how this might be implemented by the Commission.

The Commission will look into a complaint by Brian Law that stores did not handle extra loads correctly during the Memorial Day holiday, which resulted in paying truckers extra overtime. This will be investigated.

## **II. MARKETING & SALES REPORTS**

### **1. Store Operations**

#### **A. Independence Day, Friday, July 4, 2003 – Store Openings and Staffing Recommendation:**

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve proposed store openings, including extension of closing times for six (6) retail stores, and staffing patterns to accommodate the anticipated increased sales activity on Independence Day, Friday, July 4, 2003, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

#### **B. 2003 Summer and Fall Season Security Details:**

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve proposed security details for the retail stores during the 2003 summer and fall seasons, commencing with the July 4, 2003 holiday and concluding with the Columbus Day 2003 holiday weekend, as recommended by Peter Engel, Director of Store Operations and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

Peter noted that one-quarter million of this past week's total retail sales were attributed to three stores which participated in the Bordeaux event. Sales for the week ending 6/8/03 increased over the same week last year by \$533,303.87 or 10.97%.

During the past week a robbery took place at Store #17 in Franklin, and there was an electrical fire at Store #3 Manchester. The Manchester store should be open today with no further problems.

A meeting took place yesterday with the landlord of the new Brookline store. The landlord is adamant that the lease contain language which says in effect that the Commission will not compete with his business by selling tobacco and/or beer. He has drafted a provision which will be presented to the Commission and Attorney General's Office for approval. Commissioner Byrne felt the Legislature should decide what products the Commission should sell and should not be decided by a clause in a lease.

Tom Smith is looking into the prices for public access bathrooms for Store #38 Portsmouth. There was some discussion relative to what costs might be and how they would be paid for. Commissioner Russell questioned as to whether or not Public Works might pay for some of this project.

Commissioner Maiola said the Governor has asked for the Commission and Department of Transportation to look for land to building another store on the Daniel Webster Highway. A seven-acre parcel is available near Exit 2. When he meets with the Governor this afternoon, Commissioner Maiola will ask him for permission to fill fourteen vacancies in the stores. Commissioner Russell said she would like the Commission to build an employment application file which would allow persons from the outside to fill positions.

2. Purchasing Report

John Bunnell reported that Kathy Hass is working with vendors relative to out-of-stocks of Southern Comfort in the 1.75L size and Smirnoff liters.

Commissioner Maiola extended his thanks for a job well done at the recent wine tasting in Lebanon. Nicole mentioned that she has received many favorable e-mails about the event. It was a very profitable event, and no discounts were given on any of the featured wines. Commissioner Byrne asked for a list of stores to which the rest of the products will be distributed. A tasting will be held next Thursday from 6:00 to 8:00 p.m. at the Keene Country Club.

3. Merchandising Report

A. SPIRITS:

1) Category Listing Guideline:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a change to the listing guideline for test market products whereby either the 750ML or 1.75L size of items in the vodka category may be introduced into the test market, effective July 1, 2003, with notification sent to all

local brokers of this change, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Test Market Products:

a. Test Market Request (Kelt V.S.O.P. Cognac):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./International Beverage Co. for a new test market listing for Kelt V.S.O.P. Cognac, 750ML size (assigned four-digit Code #4744), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Test Market Request (Tobermory 10-Yr. Old Single Malt Scotch):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./International Beverage Co. for a new test market listing for Tobermory 10-Year Old Single Malt Scotch, 750ML size (assigned four-digit Code #2185), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Kuya Fusion Rum):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA, for a new test market listing for Kuya Fusion Rum, 750ML size (assigned four-digit Code #4303), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (Stoli Cranberi & Stoli Citros):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Allied Domecq Spirits USA, for new test market listings for Stoli Cranberi, 750ML size (assigned four-digit Code #3587) and Stoli Citros, 750ML size (assigned four-digit Code #3589), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Results (Code #4541):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant a specialty status listing for Code #4541, Gauthier Cognac XO, 750ML size, as this item exceeded the gross profit required for such listing at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Line Extension Request (Captain Morgan Private Stock, 1.75L):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Diageo North America for a line extension on Captain Morgan Private Stock, 1.75L size, as this brand in the 750ML size has exceeded the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Full Distribution Request (Ketel One Citroen Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from United Beverages, Inc./Nolet Spirits USA for a change from specialty status to full distribution for Code #3543, Ketel One Citroen Vodka, 750ML size, as this product has not earned the gross profit required for full distribution, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) One Time Buy (Three Olives Raspberry Vodka):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Horizon Beverage Company/White Rock Distilleries of a one-time purchase of Three Olives Raspberry and Three Olives Vanilla Vodka, 1.75L sizes. The motion was adopted on a two to one vote, with Commissioner Maiola opposed.

6) Tabled Item: Delist Appeal (Code #1043) – tabled from 6/4/03:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be removed from the table, and that the Commission deny an appeal from United Beverages, Inc. to the delisting of Code #1043, Rutherford 12-Year Old Scotch Ceramic Decanter, 750ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

- 1) Proposed Wine Sale for September 2003 (August 25 – September 28):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the placement of all 750ML size Italian, German and Spanish wines on sale at 10% on the purchase of 6 to 8 bottles, 15% off on the purchase of 9 to 11 bottles and 20% off on the purchase of 12 or more bottles during the period of Monday, August 25 through Sunday, September 28, 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 2) N.H. State Liquor Commission 2003-2004 Wine Tastings:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve revisions to the 2003-2004 wine tasting schedule, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 3) Recommended Wine Specialty Products (16 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve sixteen (16) wine codes to be designated as wine specialty items, to be carried in wine specialty stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 4) Recommended Allocated & Restricted Wines for Distribution to Selected Stores (9 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve nine (9) allocated and restricted wine codes for distribution to selected stores, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 5) Primary Source Submissions (44 items – exclusive agent; 30 items – imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of forty-four (44) wine codes which are not from primary source, but are offered by the exclusive marketing agent, and thirty (30) wine codes which are not from primary source, but are imported, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 6) Recommended for Inventory Close-Out (Pine State Trading Co.):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve an offer from Pine State Trading Company of a floor

stock adjustment on three (3) 750ML size wine codes, to be matched by the Commission for a period of 30 days in August 2003, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Tabled Items:

- a. Not Recommended – Wine Specialty & Allocated (1 item) – tabled from 6/4/03:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that this item be removed from the table, and that the Commission not approve one (1) wine code to be designated as wine specialty and allocated, as recommended by Nicole Horton, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Purchase and Distribution of Hardy's Stamp Series (tabled from 5/28/03):

This item remained on the table pending further negotiations with the broker.

**III. ENFORCEMENT & LICENSING REPORT – None.**

**IV. CHAIRMAN'S REPORT & LATE ITEMS**

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated June 5 through June 11, 2003. The motion was unanimously adopted.

2. Coupon Approvals: None.

3. Late Items: None.

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Anthony C. Maiola, Chairman

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John W. Byrne, Commissioner

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Patricia T. Russell, Commissioner



